

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1345 - SB 1277

March 10, 2017

SUMMARY OF BILL: Creates a pilot program to authorize a franchise and excise (F&E) tax credit for shippers with pickups or deliveries originating in or destined to Shelby County. Establishes that the tax credit is equal to two percent of qualified transportation expenditures of any such shipper that establishes a uniform and internal turn-around policy for assuring that pickups and deliveries are performed during the period of time agreed upon by a motor carrier and a shipper and for preventing delays in the timely transportation of goods over the public highways. Prohibits the credit from exceeding 50 percent of the combined F&E tax liability in any given year. For the purpose of promulgating rules and creating forms and applications, the bill shall be effective upon becoming law; for all other purposes the bill shall be effective January 1, 2018.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Exceeds \$2,065,900/FY18-19 and Subsequent Years

Increase State Expenditures – \$149,300/FY18-19

\$139,600/FY19-20 and Subsequent Years

Other Fiscal Impact – Secondary economic impacts may occur as a result of this bill. Such impacts may be reflected as improvements in shipment delivery times for Tennessee businesses, an increase in the state's competitiveness in retaining existing shipping companies and recruiting other shipping companies to locate in the state, and additional commercial activity in the state as a result of qualified companies reinvesting their savings in the state's economy. Any fiscal impacts directly attributable to such economic impacts are considered secondary and cannot be quantified with reasonable certainty.

Assumptions:

- The Department of Revenue (DOR) reports that freight trucking sales in Tennessee for general freight trucking companies were \$1,307,800,000 in FY15-16; such sales for specialized freight trucking companies were \$344,907,000 in FY15-16.
- Total freight trucking sales in Tennessee for the purposes of this fiscal note are assumed to be \$1,652,707,000 in any given year (\$1,307,800,000 + \$344,907,000).

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- According to the most recent Commodity Flow Survey, the Tennessee portion of the Memphis areas is responsible for approximately 25 percent of all truck shipments with a point of origin in Tennessee. Therefore, it is estimated that Shelby County represents 25 percent of all pickups or deliveries originating in or destined to Tennessee.
- At least 50 percent of these companies will qualify and receive the proposed F&E tax credit. At least 50 percent of such sales represent qualified transportation expenditures as defined by this bill.
- Given the effective date for the purpose of tax credits is January 1, 2018, the first year impacted is assumed to be FY18-19.
- The recurring decrease in state revenue beginning in FY18-19 is estimated to exceed \$2,065,884 ($\$1,652,707,000 \times 25.0\% \times 50.0\% \times 50.0\% \times 2.0\%$).
- The DOR reports that one new tax auditor 3 position and one additional tax auditor 4 position will be required to validate and respond to tax credit applications and to ensure compliance in Shelby County. The one-time increase in state expenditures associated with such positions will be \$9,700; the recurring increase in state expenditures for salaries, benefits, and all other expenses will be \$139,570.
- It is assumed the position will not be required until FY18-19 given the effective date of the bill. Therefore, the total increase in state expenditures is estimated to be \$149,270 in FY18-19 ($\$9,700 + \$139,570$), and \$139,570 in FY19-20 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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